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2002 ANNUAL REPORT ALOHA TOWER DEVELOPMENT CORPORATION

MISSION AND FUNCTION

The Aloha Tower Development Corporation (ATDC) was established in 1981 to redevelop a certain area of land surrounding the Aloha Tower in order "to strengthen the international economic base of the community in trade activities; to enhance the beautification of the waterfront; in conjunction with the Department of Transportation, to better serve modern maritime uses; and to provide for public access and use of the waterfront property."

The boundaries of the project area called the Aloha Tower Complex include the areas makai of Nimitz Highway from Piers 5 and 6, Piers 8 through 23, and portions of Nimitz Highway and Iwilei.

ORGANIZATION

The ATDC is managed by a Board of Directors, consisting of the Director of the Department of Business, Economic Development & Tourism; the Chairperson of the Board of Land and Natural Resources; the Director of Transportation; the Mayor of the City and County of Honolulu or their representatives; and three citizens from the community. Presently, the ATDC public members are Mr. David Louie, Chair; Mr. Peter Kim; and Mr. Jim Lyon. Mr. Ronald Hirano is the Executive Director.

SUMMARY OF ACTIVITIES

The ATDC has vigorously pursued its responsibilities to redevelop the Aloha Tower Complex. In that regard, the followings are recent milestones towards the goal of creating a "people place."

- ATDC began negotiations with potential developers of Piers 5 & 6 in January of last year. After concluding that there were several possibilities, ATDC issued an RFP in September 2002 for proposals on developing Piers 5 & 6. Responses are due November 2002 with selection in December 2002.
- ATDC is currently negotiating with various entities for development of Piers 13 - 15 including a new cruise ship terminal, fireboat facility and significant park space and promenades. Agreement is expected in this fiscal year.

- As a result of the repositioning plan that began in 1999, sales have reported to be up as well as the number of patrons. It is estimated that close to 2.9 million people a year visit the marketplace with expenditures close to \$40 Million annually. Increased cruise ship activity prior to September 11, 2001, had a significant positive impact on Marketplace visitation. Since then, there has been a significant decrease in the number of visitors to the Marketplace. Marketing efforts are being directed at the local consumer to compensate.
- Additional improvements are planned at the Aloha Tower itself. In conjunction with the Department of Transportation the Tower will have additional lighting installed and color imaging to enhance the Tower's prominence as part of the Honolulu night skyline.
- ATDC has entered into a lease and development agreement with New World Divers for the creation of a world class diving facility and training center to be constructed between piers 6 and 7 on the remnants of the old bridge footings. This innovative training facility and free dive center is intended as a resource for the entire dive industry in Hawaii and will be open to all existing shops and tour operators for their use. Given the high percentage of divers visiting Hawaii, the facility should increase the traffic in and around the marketplace. New World Divers also plans to market the Oahu dive experience aggressively both nationally and internationally, increasing Hawaii's exposure as a destination and increasing the expedition tourist numbers. Construction should begin in early 2003 and be completed within six months.

PROJECT DESCRIPTION

The objective of this development, as mandated by ATDC's enabling Statute, is to create a "people place" characterized by an active, bustling waterfront with Aloha Tower as its centerpiece. Retail activity will be coupled with entertainment; interesting restaurants and maritime activity catered to both residents and visitors. Ultimately the Aloha Tower Complex will become a destination, offering business, retail and educational activities.

The original proposal envisioned a project with several components each serving a specific purpose. The current development focus is on enhancing the value of the project by creating additional "mass" through development of reasonable density designed to enhance or complement existing activity in the urban waterfront.

THE MARKETPLACE AT ALOHA TOWER

The first phase of the project was the Festival Marketplace at Piers 8 and 9. The Marketplace, together with interim cruise ship terminals at Piers 9, 10, and 11, and the refurbished Aloha Tower, opened in November 1994. The Marketplace is a simple but elegant structure offering a two-story mix of retail and specialty shops, and entertainment extending from Irwin Park directly through to Pier 9. Intersecting this

major corridor is a large center court, which gives a clear view from Aloha Tower throughout the Marketplace to the Hawaii Maritime Museum on Pier 7.

The perimeter of the Marketplace is dedicated predominantly to restaurants and cafes with intriguing views of the life and activity of the harbor and adjacent piers. Generous landscaping and endearing sculptures activate the edges of the buildings and numerous "courts" which break down the overall building mass into smaller, more intimate experiences. The design has created a complex of buildings that are at once richly Hawaiian, yet classic and simple in keeping with the maritime setting. Arches, towers, canopies, recessed lanais, and arcades add character and vitality - the essential hallmarks of the festival market setting. Tenants are a mix of Hawaii's best local retailers and restaurants as well as some of the mainland's most successful retail and restaurant operations. These include:

All That Aloha (Open TBA)

Aloha Candle
Aloha Fashion Sports
Aloha Tower Sundries
Alpine Industries
An An Fashions
Animation Magic
Bad Ass Coffee Co.
Belinda's Aloha Kitchen
Beyond the Beach
Big Island Steak House
Bite My Dogs
Black Pearl Gallery
Bungalow Bay
Casa Mia
Chai's Island Bistro
Crazy Fish
Daniella
Danny First
Don Ho's Island Grill
Endangered Species
Fashion World
Foot Locker
Gelateria Uno
Gordon Biersch Brewery
Hawaii Paradise Jewelry
Hawaiian Collection
Hawaiian Flavored T-shirts/Red Dirt
Hawaiian House

Hawaiian Pacific Crafts
Hawaiian Ukulele Company
Hawaiian Wear, Etc.
Hibiscus Collection
Hong Kong Harbour View Seafood
Hooters of Honolulu
Hula Prints
Ice Wine (Open TBA)
Imperial Gallery
Island Art Galleries
Island Coffee & Cigar, The
Island Hula Studio
Island Sweetie
Island Taffy
JTB <i>Chart</i>
JTB <i>Look</i>
Kapono's
Kids World
Les Montres
Living Sense
Magnet Five-0
Martin & MacArthur
Melrose
Millennium
Natural Attitude
Next to Nothing
Olivia's Euro Collection-Aloha Tower
Out Of The West & Crybaby Ranch

Paradise Collection Unlimited
Patriotic Sports
Perfumania
Pet Gear
Pipe Dreams Surf Company
Precious Jewelry & Accessories
Rainbow Hawaii Souvenirs
Rocky Mountain Chocolate Factory
Rodeo Cantina
S.O.S. Boutique
Sayumi's Princess Garden Bridal

Salon
Star Apparel
Stone Gear
Subway
Sunglass City
Sunglass Hut
Waterfront Café & Cabaret
World of Flags
World of Hats
Wyland Galleries
Yokozuna

The ATDC has taken the first steps in the revitalization of the waterfront and the creation of a new and exciting "people-place" on the Honolulu Waterfront. The completion of the marketplace brought a number of successes and challenges. The lack of adequate and a consistent parking arrangement have hampered the performance of the Marketplace. While the Marketplace draws from both local customers as well as visitors, local clientele routinely find the parking arrangement confusing and inadequate. The condition is exacerbated on boat days when almost one-third of the available parking stalls is reserved to boat servicing. Discussions are underway with the new Marketplace owner on creating additional parking to better serve local clientele as a part of a future phase development.

The management team's repositioning strategy, putting an emphasis on showcasing local entertainment, implemented last year was showing success prior to September 11, 2001. It is not unusual to see local talents featured at several stages throughout the Marketplace on a single night. Increased cruise ship activity in the Harbor had significantly added to Marketplace revenues and has served to establish Honolulu Harbor as a prime cruise ship destination. Since the return of the inter-island cruise lines, there has been an increase in activity as well. Like other retail centers, since September 11, 2001, there has been a decline in sales and revenues for the marketplace. At this time, the fourth quarter sales figures are unavailable. Sales do appear to be returning to pre 9/11 levels; however, they have not made a complete recovery and revenue returns are still somewhat depressed.

The Marketplace is also an active participant of the downtown Ho'olaulea, the Pro-Bowl as well as the Hoku Awards block parties. The Fourth of July and the New Year's Eves are celebrated with fireworks display complete with local entertainment.